MoDOT's **Bolder** Five-Year Direction

A Presentation to the Missouri Highways and Transportation Commission

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CALL TO ACTION

We've had a good run for transportation in Missouri in recent years. Eighty-six percent of our major roads are in good condition. Highway fatalities are the lowest they've been since 1949. We've brought about $9 billion worth of projects in on time and within budget. Customer satisfaction is at 83 percent, and 92 percent of Missourians trust us to keep our commitments.

We've had a good run because we've had resources. But, MoDOT's funding has fallen off a cliff. The result is a transportation funding crisis for Missouri. It seemed to many Missourians we were "crying wolf" because funding that came our way through bonding programs and federal stimulus funds allowed our construction program to average $1.2 billion over the past five years. This funding allowed us to improve the condition of our roads and make some very significant highway improvements for Missourians.

However, those funding mechanisms were temporary. We could see the cliff fast approaching. It is now here. Our anticipated lack of funding for transportation was even more negatively affected by the economic downturn which is still being felt across the nation. As a result, MoDOT's construction budget has been cut in half and operating costs are rising dramatically. There is barely enough money to simply maintain our roads; and new construction commitments to improve safety and congestion will not be possible. In the absence of a new federal Surface Transportation Act, we can no longer prudently anticipate annual increases or even rely on current federal funding levels to continue. But even worse, we will soon be unable to match federal funds. That means without some major changes in the way MoDOT operates, federal motor fuel tax paid by Missourians could be lost to our state.

Missourians and taxpayers across the nation have stopped asking for better government. They are now demanding that governmental agencies get their houses in order. They have been tightening their belts and making tough decisions. They expect us to do the same. Taxpayers have made it clear that government at all levels must get significantly smaller, cut costs, and be more efficient. We cannot expect citizens to support additional funding until we have first made the tough financial decisions they themselves are making every day.

This is a very real and personal transportation funding crisis for all Missourians – impacting their lives every day. This crisis demands that we provide decisive, bold leadership and action. That is why the Missouri Highways and Transportation Commission directed MoDOT to develop a bolder plan of action to address our reduced funding.

Five-Year Direction Good – But It's Not Enough

You will recall that in March 2010, we put in place the Five-Year Direction. Tightening our belt was not an option. It was absolutely necessary for us to deliver the commitments in our current Statewide Transportation Improvement Plan. The Five-Year Direction has already resulted in a reduction in the size of our workforce and increased operational efficiencies, while providing outstanding customer service. Unfortunately, we must do more.

Three months ago, at the Commission's direction, MoDOT's Senior Management Team went to work to identify efficiencies and "right-size" the department to provide quality transportation

services while living within our financial means. Nothing was off the table. After analyzing every aspect of our organization, it became clear MoDOT has been quick to identify and implement technological advancements and other innovative solutions to improve our work product. But we've been less successful at changing our structure to capitalize on efficiencies. For example, the ten district structure put in place in 1922 to embark on a massive road program to "Get Missouri Out of the Mud" and to provide an Interstate Highway System during the 1950s, '60s and '70s was most likely the right size for then, but not for today. We are proposing major changes in a new Bolder Five-Year Direction.

Downsize is the Right Size

This **bold** approach will be felt in all three of our organizational units (program delivery, administration and operations) and will impact everyone. It will reduce our workforce by approximately 1,200. Since March of 2010, we have already reduced our staff by 403 employees and will need to reduce by another 793 to reach our goal. It will result in closing 135 facilities and eliminate the need for about 740 pieces of equipment. These changes will result in a savings of $512 million. We are convinced, once this plan is implemented, MoDOT will be a more streamlined, efficient agency that is the **right size** to deliver quality service for the people of Missouri, *regardless of the funding level*.

This Bolder Five-Year Direction includes new ways to work better, faster, and cheaper. The Bolder Five-Year Direction will also free up an average of $117 million per year to focus on statewide transportation needs and provide MoDOT greater flexibility in where to spend those scarce resources. It will allow us to commit to a $600 million per year Statewide Transportation Improvement Program. A Bolder Five-Year Direction is an opportunity to truly deliver the best value for every dollar spent. While this will not solve our long-term funding problems, it will position us to funnel any new funds straight to transportation improvements.

MoDOT employees will continue to work together to deliver great results and meet formidable challenges. Completion of the implementation of this plan by December 31, 2012 will be difficult, but Team MoDOT will proceed positively and persevere.

Missourians deserve a better, more efficient government. It would be irresponsible to do nothing or make only minor adjustments in the way business is done. Our customers and the economic realities demand it. We must take a BOLDER approach if we are to continue our purpose of serving the transportation needs of Missourians. It's the right thing to do and it's what we must do. The plan is ready. The time is now.

Plan Overview

The Bolder Five-Year Direction includes three main strategies to focus us on working better, faster and cheaper. These strategies will result in a savings of $512 million. In addition, it will free up an average of $100 million per year to focus on statewide transportation needs and provide MoDOT greater flexibility in where to spend those scarce resources.

The strategies are based on reducing our staff by a total of 1,200, our facilities by 135 and our equipment by more than 740 pieces. All organizational units - program delivery, administration and operations - will see changes.

This plan will create a more streamlined, efficient agency that is the right size to deliver a quality and safe transportation system to the people of Missouri. The following pages outline the details of the plan including a summary of the savings.

Organization Details: Program Delivery

MoDOT will staff the Program Delivery team at a $500 million transportation program level, thereby reducing the need for the current number of program delivery employees (planning, right of way, bridge, design and construction). There is simply less project work to do in the foreseeable future.

Program Delivery will reduce staff and maintain core competencies throughout the state and will outsource more activity such as roadway design, right of way appraisal and construction inspection. The number of Resident Engineer offices will be reduced from 46 to 29. The Program Delivery structure will continue to build on the efficiencies already realized by keeping the centralization of some functions, such as bridge design and outdoor advertising. Throughout the state, Program Delivery staff will be maintained at the local level to ensure public interaction with the customers in planning, designing and constructing projects.

To address the drop in program delivery work, jobs will be eliminated. Those employees will move to positions best suited to their skills where priority work still exists such as the inspection of bridges and other structures.

Program Delivery Recap

- **Reduce Program Delivery staff – 27 percent**
  - 1,565 to 1,141 (424 employees)
- **Smaller transportation program resulting in less work**
- **Outsource when needed**
  - Design
  - Right of way appraisal
- **Drive innovation**
  - Practical design
  - Innovative contracting
- **Reduce number of resident engineer offices from 46 to 29** (17 offices)

Organization Details: Administration

The administrative functions will continue to provide support for the core activities of MoDOT. A smaller MoDOT with less work requires fewer support services. All areas will reduce staffing while retaining the critical competencies to effectively support the department.

The department will retain administrative core competencies, such as financial services and human resources, in every district. However, there will be fewer of these employees covering larger geographic areas. MoDOT will pursue outsourcing activities such as research, training, new information technology projects, and facilities repair.

Personnel changes will be made in senior management and leadership positions within the divisions and districts. This will allow MoDOT to create a better team of change agents and address succession planning. In addition, some current stand-alone divisions will be consolidated or merged with other divisions.

Administration Recap

- **Reduce Administration staff – 31 percent**
  - 1,060 to 733 (327 employees)
- **Better supervisor to staff ratio**
  - Fewer supervisors will result in a more desirable staff to supervisor ratio
- **Outsource when needed**
  - Research
  - New information technology projects
  - Training
- **Push innovations**
  - Better time keeping software
  - Automated employee performance management system
- **Consolidation/merging of divisions from 24 to 20**

Organization Details: Operations

With the construction program significantly reduced, MoDOT will primarily be a maintenance and operations organization. This is the only area within MoDOT where there will always be a significant amount of work. MoDOT must maintain the ability to respond quickly to any emergencies that occur on the state highway system, as well as the ability to operate the system. However, the work can be done more efficiently while continuing to satisfy customers.

More than 110 maintenance and traffic facilities will be closed statewide. With advancements in equipment, communications and technology, MoDOT has more buildings than needed to satisfy customer needs. The remaining facilities will be strategically located to fully realize the efficiencies of combining crews, resource sharing and MoDOT's Practical Operations initiative and philosophy. Expenditures for winter operations were down this year, despite the tough winter. Efficiencies have been realized due to a new approach to striping. MoDOT has already experienced great success!

A key consideration is there will be no "boots on the ground" staff reductions. Fewer facilities will require fewer supervisors. The consolidation of maintenance facilities will result in a new supervisor to subordinate ratio of 1 to 8 (from the current ratio of 1 to 5).

The department will increase the use of the private sector, especially for major pavement projects. Other outsourcing opportunities include activities such as maintenance and repair of light-duty fleet and sign production. Additional implementation plans include decentralizing bridge inspection.

Operations Recap

- **Reduce Operations staff – 12 percent**
  - 3,677 to 3,232 (445 employees)
- **No "Boots on the Ground" reductions**
  - Maintenance worker positions will not be affected; however, Operations will have fewer supervisor positions and middle managers
  - Eliminate "special crews" and utilize workers to cover all activities
- **Outsource when needed**
  - Major pavement treatments
  - Maintenance/Repair of light-duty fleet
  - Sign production
- **Facilitate and embrace innovation**
  - Innovations Challenge
  - Change in approach to mowing, litter pickup, signing, striping, etc.
  - Implementation of statewide best practices
- **Close more than 110 facilities statewide**
  - Remaining facilities strategically located
  - Realize large scale efficiencies and resource sharing

Seven Districts KEY Strategy

The key strategy to a Bolder Five-Year Direction will be reducing the number of MoDOT districts from ten to seven. MoDOT will continue to be the same decentralized, nimble and responsive organization. Fewer districts will allow MoDOT to have fewer employees in senior management and supervisory positions. No reductions will be made to "boots on the ground" positions, which will ensure MoDOT continues to provide local customer service and emergency response. Fewer districts will deliver the same mission but with a focus on maintaining the system. Seven districts will provide the following benefits:

- **District boundaries updated to match advancements.**
  MoDOT's current district boundaries have been virtually unchanged since 1922, when many state roads were still gravel and MoDOT used mules and wagons! The department's ability to manage larger areas has grown exponentially. Thanks to advancements in equipment, technology and communication, employees can cover more ground, work much quicker and more effectively.

- **Responsibilities of management expanded.**
  Seven districts will raise the bar for performance by district managers. Aligning work groups and resources will become even more critical with larger areas to manage. District engineers will take a broader view of how they manage their teams. They will work more closely to share employees; manage the workload from a statewide perspective; and through permanent work location reassignments and telecommuting, move more employees across district and division boundaries to close staffing gaps created by turnover.

- **Strong presence across the state.**
  MoDOT will continue to have a strong presence across the state of Missouri. Statewide, the Area Engineer will be a direct and local contact for the citizens, business leaders and community leaders. While MoDOT will not have a district office in three communities where they currently exist, the department will continue to have a significant presence and visibility in these areas. Additionally, there will be an area office assigned to these communities, so the customer service they have grown accustomed to will remain.

- **Middle managers and supervisors reduced.**
  Reducing facilities by 135, including three district offices, will eliminate 444 middle managers and supervisor positions.

More Than 740 Fewer Pieces of Equipment

The Bolder Five-Year Direction will implement strategies that allow for the reduction of more than 740 pieces of equipment. The following plan will be used to manage equipment reductions:

- **Continue reduction of equipment per Five-Year Direction.**
  The Five-Year Direction identified reductions in overall equipment levels as follows: approximately 230 dump trucks, 100 tractors and three stripers. Districts have created plans to reduce this equipment over a two year period.

- **Reduction of other equipment.**
  Loaders and maintenance pickups will be sold after maintenance facilities are closed. Pickups located at the Resident Engineer/Construction Offices will be sold as the offices are closed. All other pieces of equipment will be sold as they become unnecessary.

- **Sale of equipment.**
  Surplus fleet will be reviewed and compared to statewide inventory to ensure that the oldest equipment or equipment in the worst condition is sold. MoDOT currently has 12 vendors on contract that can dispose of excess equipment. This should ensure that the available quantities of equipment for sale will not flood a particular market and subsequently reduce the sale price.

Summary

The Five-Year Direction must continue, but be bolder in its approach. MoDOT's senior leadership developed a plan to make the department smaller and more efficient while delivering quality service to Missourians. This Bolder Five-Year Direction will reshape and resize MoDOT to be more operationally efficient and provide the following projected savings through February 2015:

	02/28/2010 Workforce	Proposed Workforce	Reduction
Program Delivery Staff	1,565	1,141	-27%
Administrative Staff	1,060	733	-31%
Operations Staff	3,677	3,232	-12%
Total	**6,302**	**5,106**	**-19%**

Projected Savings
(through 2/28/2015)

People	**$212 million**
Facilities	**$ 41 million**
Equipment	**$ 44 million**
Redirected Services	**$ 31 million**
Redirected Budget	**$184 million**
Grand Total	**$512 million**

How the Savings Work

MoDOT is taking an aggressive approach to create savings in various areas and redirect those funds to more critical Five-Year Direction priorities:

Savings areas:

Budget category	Total
Personal service and benefits	211.8
Facilities maintenance, repair and utilities	32.0
Fleet acquisition, maintenance and repair	35.9
Eliminate contingency fund	50.0
Information technology	42.5
Materials inventory	10.0
Reduced sign replacement	5.2
Administrative cost reduction	2.5
Year-end budget sweeps and voluntary reductions	74.2
Total	**$464.1 million**

Proceeds from facilities and equipment sales:

Sale of	Total
Facilities	8.6
Fleet	7.8
Total	**$16.4 million**

Total Budget Savings and Sales Proceeds $480.5 million

Redirected services savings:

Function	Total
Reduce mowing	7.0
Cheaper approach to striping	12.5
Reduce litter pickup	1.5
More efficient snow & ice removal	10.0
Total Redirected Services	**$31.0 million**

Grand Total $511.5 million

	Total
Total Cash Savings	480.5
Less FY11 amount committed to minor roads improvements	(64.1)
Less amount committed by Commission for 2012-2016 STIP	(189.0)
Less engineering personal service and benefits already committed in 2011-2015 STIP	(60.0)

Total Cash Available from Savings & Proceeds for 2017 STIP $164.4 million

$117 Million in Annual Ongoing Savings

MoDOT will achieve savings of $117 million annually from the reduction of staff and facilities.

Ongoing savings areas:

Budget category	Total
Personal service and benefits	69.6
Facilities maintenance, repair and utilities	4.8
Fleet acquisition, maintenance and repair	8.6
Eliminate contingency fund	10.0
Information technology	5.0
Materials inventory	1.0
Reduced sign replacement	1.0
Administrative cost reduction	0.5
Year-end budget sweeps and voluntary reductions	10.0
Total	**$110.5 million**

Ongoing redirected services savings:

Function	Total
Reduce mowing	1.4
Cheaper approach to striping	2.5
Reduce litter pickup	0.3
More efficient snow & ice removal	2.0
Total Redirected Services	**$6.2 million**

Ongoing Savings Grand Total: $116.7 million

Implementation

The Bolder Five-Year Direction will be a huge effort, but nonetheless achievable. In MoDOT's history, this will by far be the hardest thing the department has done. Listed below are the key components for its successful implementation:

- **Go as fast as possible.**
  These are big changes that need to be accomplished quickly. Employees are aware of these efforts and uncertainty fuels apprehension and affects productivity. When employees see where MoDOT is headed and realize they will have a role in shaping the future, leadership is confident they will engage and work toward a common goal.

- **Strategies implemented by December 31, 2012.**
  Facility, equipment, operational changes and employee reassignments will be in place no later than December 31, 2012.

- **Start with the Senior Management Team and their assistants.**
  MoDOT needs to start at the top to put change agents on the Senior Management Team to drive this effort. Employees will believe the change is real and important if they see management willing to change first. MoDOT will also quickly realign employees at the assistant district engineer/assistant division leader level.

- **Put the best people in the right jobs.**
  This is a perfect opportunity to realign employees to make the most of staff talent. This will positively impact the department's current leadership and succession planning. As maintenance facilities are reduced, MoDOT will put the best maintenance supervisors in place and move the rest into senior maintenance worker or crew leader positions.

- **Deliver a "new look" for MoDOT and change facilities quickly.**
  MoDOT must change the way it operates immediately for this to be successful. MoDOT will sell and close facilities as quickly as possible, but with the least amount of disruption to communities as possible. The 111 maintenance building closures were strategically selected to more efficiently serve local and statewide needs with the goal to close these buildings before the snow flies this winter. Resident Engineer Offices will be closed as quickly as possible based upon construction schedules. These closures will take place primarily during the winter season, when construction is not taking place. District Office closures will be staggered, as will facility moves within Central Office.

- **Reduce through attrition, transfers and layoffs.**
  MoDOT will suspend hiring and move employees to where the work exists. Employees who decline new job assignments in new work locations will not remain employed with MoDOT. Employees will also continue to absorb more work as attrition occurs. Poor performers will not be tolerated. Layoffs will occur where reductions cannot be achieved through attrition and transfers.

- **Leave the details to implementers.**
  There are numerous details to be worked through to make the Bolder Five-Year Direction a success. The best people to iron out those details are the employees who are implementing the changes and who will be responsible for delivering services to Missouri citizens for many years to come. MoDOT's employees will rise to the occasion.